



March 8, 2013

Mary Nichols, Chairman
California Air Resources Board
1001 "I" Street
Sacramento, California 95814

**Re: Allocation of Cap and Trade Proceeds to Support On-Site
Deployment of 100% Renewable Distributed Energy**

Dear Chairman Nichols:

Foundation Windpower, LLC appreciates the opportunity to review and comment on the Draft Concept Paper for the Cap-and-Trade Auction Proceeds Investment Plan (Plan). Any Plan that invests proceeds in a way that furthers the greenhouse gas reduction (GHG) goals of AB 32 while ensuring that mechanisms are in place to foster transition of California's infrastructure and core industrial base will generate substantial benefits for the people of the State of California.

By way of background, Foundation Windpower builds and operates wind turbine generators on-site and sells electricity to California business and public infrastructure locations facing large energy demand, high energy costs and, in some cases, increasingly significant emissions limitations under AB 32. Our installations, ranging from 1.0 MW to 3.2 MW in size are located on-site where the load is. Our customers include food processors (e.g., Anheuser-Busch & Nestle Waters), water treatment facilities (Inland Empire Utilities Agency), distributions centers (Safeway and Wal-Mart), cement plants (Cemex), mines/quarries (Robertson's Ready-Mix), and other large energy users – some of which are "covered entities" -- that are all looking for ways to be better positioned to remain vibrant participants in California's greening economy.

Prudent investment of auction proceeds in on-site distributed wind energy generation can simultaneously support material reductions in greenhouse gas emissions while strengthening the economic viability of California public and private infrastructure. Currently, developers like Foundation Windpower are able to bring together private capital and public incentives, like the Self-Generation Incentive Program (SGIP), to help *some* California enterprises, both public and private, achieve these dual goals of GHG reduction and economic vitality. However, there are inherent limits in the status quo which curtail the reach of these benefits that the Plan can begin to remedy that we would urge for consideration:

- ***Invest In Broad Deployment of SGIP-Like On-Site 100% Renewable Generation Rebates.*** Under the current SGIP, as a practical matter, the

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availability of on-site distributed wind energy is limited to customers of the Investor Owned Utilities (IOUs). This precludes deployment of wind energy at several promising California locations, including public and private facilities outside of the IOUs' service territory -- from municipal water districts to heavy manufacturers -- where both the wind resource and the electric load are substantial. As a result, substantial opportunities for GHG reductions are lost and certain California enterprises, whether or not they are covered entities, are economically stressed and carbon inefficient.

- ***Invest In Rebates to Localities for Tax Incentives Supporting On-Site 100% Renewable Generation.*** Leaders of cities and counties throughout California are eager to assist local employers cope with ever-increasing energy costs and GHG reduction obligations. Lacking sufficient funds to invest in property tax exemptions or to bear the burden of sales tax exclusions, localities are unable to devise incentives or absorb the fiscal consequences of state-based incentives for deploying on-site wind energy. Some tax relief is available for solar installations, but not for wind and other 100% renewable technologies. The Plan can remedy this deficiency by investing in a pool of funds to reimburse localities for tax incentives designed to help defray the cost of installing on-site 100% renewable generation.

Both of these initiatives could be launched on a pilot basis in the first two years of the Cap-and-Trade period – *i.e.*, SGIP-like rebates would be available for the deployment of 30 MW and tax rebates available for the first 50 MW -- and expanded upon demonstrated demand and effectiveness. Ultimately, the cost-effectiveness of these investments in 100% renewable on-site wind generation should support further investment.

We appreciate your consideration of these proposals in the development and implementation of the Plan. If you have any questions, please do not hesitate to contact me at 415-519-4435.

Sincerely,

Steve Sherr
VP Business Affairs
Foundation Windpower, LLC

cc: Cliff Rechtschaffen, Senior Advisor to Governor Brown
Matt Rodriguez, Secretary, California Environmental Protection Agency
Robert B. Weisenmiller, Chair, California Energy Commission
Ana Matosantos, Director, Department of Finance
Karen Ross, Secretary, Department of Food and Agriculture

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